

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6683

BILL NUMBER: HB 1081

NOTE PREPARED: Feb 8, 2007

BILL AMENDED: Feb 7, 2007

SUBJECT: Fire Protection Agreements.

FIRST AUTHOR: Rep. Tincher

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) The bill provides that a city, town, county, or township that wants to discontinue receiving fire protection services through its own fire department or current provider of fire protection services may contract with a different provider for fire protection services only if the new provider has an Insurance Service Office (ISO) Public Protection Classification (PPC) that is equal to or higher than the classification of the fire department or current provider of fire protection services to the city, town, county, or township. It allows a city, town, county, or township to contract with an interim provider to receive fire protection services for a period of not more than six months (1) after discontinuing receiving fire protection services through its own fire department or current provider; and (2) before receiving services from its new provider of fire protection services. The bill provides that an interim provider is not required to have an Insurance Service Office Public Protection Classification that is equal to or higher than the fire department or current provider of the city, town, county, or township.

Effective Date: July 1, 2007.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary-* If a political subdivision were to discontinue its fire protection service under the provisions of the bill, the discontinuing subdivision could potentially reduce fire protection service expenditures if a qualified provider could supply such services at a lower cost. However, the qualified provider may require additional fire protection expenditures if their service area increased. The bill also provides for an interim provider. The impact of this provision will depend on local

actions and whether the interim provider increases or decreases fire protection expenditures. A unit may not contract with an interim provider for more than 6 months.

Background Information- ISO evaluates a political subdivision's fire protection capabilities and assigns the political subdivision a PPC rating. The PPC is a numerical rating on a scale of 1 to 10. A PPC of 1 indicates the highest level of fire suppression capability. A classification of 10 is equated to no suppression capability. If a community's fire department also has rural jurisdiction, ISO assigns two classifications. One is for the department's urban suppression capabilities, and the other classification is for the unit's rural capabilities. ISO evaluates a community's level of firefighting capability using their Fire Suppression Rating Schedule. The schedule rates the following three main categories of fire suppression based on level of importance: engine companies (50%), water supply (40%), and fire alarms (10%).

Insurance companies use the ISO rating to determine premiums. The PPC helps to determine the amount a principal place of residence will pay for the fire protection portion of homeowners insurance.

A small survey of Indiana fire departments that have both an urban and rural PPC indicates that the urban PPC is usually lower than the rural PPC.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Cities, towns, counties, and townships.

Information Sources: Insurance Services Office, Inc., www.iso.com.

Fiscal Analyst: Chris Baker, 317-232-9851.